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CC Docket No. 96-98

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JAN 28 2003

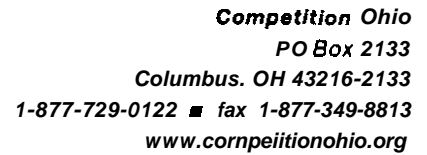
Federal Communications Commission
Office of the Secretary

Competition

PO Box 2133
Columbus, OH 43216-2133

The Honorable Michael Powell
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

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Information SBC provides to Wall Street shows SBC is financially sound and well positioned for the future. SBC reported a 42.1 percent wireline operating margin in the second quarter of 2002. (This is consistent with an analysis by the Phoenix Center for Advanced Legal and Economic Public Policy Studies that indicates current wholesale rates provide Bell companies with a 40 percent wireline operating margin). At the Banc of America Securities 32nd Annual Investment Conference, SBC said it earned \$41 billion in annual revenues from wireline operations and that its balance sheet "is second to none."



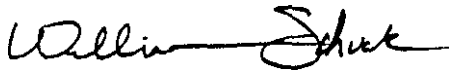
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SBC and other Bell companies oppose UNEs because they work – they brought competition to long-distance markets and are beginning to bring competition to local phone markets. It is both foreseeable and reasonable for the Bells to lose monopoly market share, and for their margins to decline from “monopoly rent” levels to normal levels, as a consequence of competition.

■
The argument that competition is “artificial” or “unfair” because UNE prices are below the Bells’ cost of servicing leased lines is spurious. The U.S. Supreme Court upheld TELRIC methodology in the *Verizon* case and most state utilities commissions are producing similar UNE pricing using this methodology. It is highly unlikely all these commissions are wrong, particularly after undergoing hundreds of hours of adversarial hearings and analyzing thousands of pages of evidence. Moreover, the Bells have not offered credible evidence to substantiate the claim that UNE prices are below their cost of servicing leased lines. The fact that they offer lines to retail customers for half of what they say it costs to service leased lines shows the alleged costs are highly exaggerated.

The Telecom Act is working as planned, albeit belatedly, and consumers are benefiting. *Competition Ohio* strongly urges the FCC to resist lobbying by the Bells to change the Telecom Act and rules that are successfully promoting competition. Staying the course will deliver on promises made to consumers and make telecommunications markets more efficient and innovative.

Sincerely,



William Schuck
Executive Director
Competition Ohio

Competition Ohio is a coalition of over 260 members that support competition in telecommunications to improve service, lower prices, and enhance technological development.